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Livestock and Products

High Prices Paid at Beef and Pork TRQ Auction 2005

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Report Highlights:

Last week, Russian authorities auctioned 15 percent of the 2005 beef and pork TRQs. Surprisingly, the final prices paid for TRQ lots were several times the starting price and much higher than expected. Industry experts suggested that companies paid high prices in order to improve their 2006 TRQ allocation, which will be partly based on that company's 2005 import volume.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Moscow [RS1]
[RS]

In accordance with previous resolutions of the Government of the Russian Federation (#877 "On regulating fresh and chilled beef imports in 2005", #878 "On regulating frozen beef imports in 2005", and #879 "On regulating pork imports in 2005"), an auction was conducted June 2 for 15 percent of 2005 beef and pork TRQ volumes (also see GAIN Report RS5002).

Bids for both pork and beef quickly rose to many times the opening auction prices. In the end, the minimum price paid for frozen pork was 256,000 euros per lot and maximum 315,000 euros, while beef went for between 84,000 and 105,000 euros per lot. Prices for chilled beef were between 5,200 to 19,900 euros per lot. Prior to the auction, experts predicted pork lots would be approximately 150,000 euros and beef 60,000 euros per lot. The companies "Roubezh" (20 lots) and "Miratorg" (16 lots) purchased the largest amounts of pork, while beef was distributed evenly among many companies.

Market participants were surprised by such high prices. Many claimed that the main reason for the inflated prices was that companies are trying to establish a high level of imports in 2005, the period on which the 2006 TRQ company allocations will be based. Some newspapers also stated that "gray" market meat traders participated in the auction in an effort to gain import licenses in order to legalize their trade.

	Commodity	Number of Lots	Lot Size (MT)	Original Minimum per lot bid (euro)
1	Right to import pork in 2005 (HS code 0203) at current customs tariffs	138	500	60,000
		2	555	
2	Right to import fresh/chilled beef in 2005 (HS code 0201) at existing customs tariffs	33	125	5,000
3	Right to import frozen beef in 2005 (HS code 0202) at current customs tariffs	129	500	40,000